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OSD's Obligation & Expenditure Rate Goals: An Examination of the Factors Contributing to the Interference

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14. ABSTRACT Managing DoD acquisition programs is a complicated process. The turbulence created by funding instability makes it even more difficult. To help program offices maintain their overall funding execution pace, the Office of the Secretary of Defense (OSD) instituted Obligation and Expenditure rate goals over two decades ago. Acquisition program managers have found it difficult to meet established Obligation and Expenditure rate goals. For the purposes of this study (sponsored by Nancy Spruill, director of Acquisition Resources and Analysis, Office of the Under Secretary of Defense for Acquisition, Technology and Logistics) and based on Defense Acquisition University and OSD subject matter expertise, the authors looked closely at potential causal factors that could be interfering with the achievement of these goals. Two hundred and twenty-nine DoD personnel responded to a comprehensive survey. The respondents were comprised of program office personnel (program managers [PMs], deputy PMs, budget and financial managers [FM], and contracting officers); program executive officers (PEOs) and their chief financial officers; and a variety of senior OSD staff including Headquarters FM senior staff and Senior Acquisition Executive staff. The respondents were asked if they found metrics helpful in better meeting OSD goals as well as the use of any process improvements.					
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OSD's Obligation & Expenditure Rate Goals: An Examination of the Factors Contributing to the Interference

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Abstract

Managing DoD acquisition programs is a complicated process. The turbulence created by funding instability makes it even more difficult. To help program offices maintain their overall funding execution pace, the Office of the Secretary of Defense (OSD) instituted Obligation and Expenditure rate goals over two decades ago. Acquisition program managers have found it difficult to meet established Obligation and Expenditure rate goals. For the purposes of this study (sponsored by Nancy Spruill, director of Acquisition Resources and Analysis, Office of the Under Secretary of Defense for Acquisition, Technology and Logistics) and based on Defense Acquisition University and OSD subject matter expertise, the authors looked closely at potential causal factors that could be interfering with the achievement of these goals. Two hundred and twenty-nine DoD personnel responded to a comprehensive survey. The respondents were comprised of program office personnel (program managers [PMs], deputy PMs, budget and financial managers [FMs], and contracting officers); program executive officers (PEOs) and their chief financial officers; and a variety of senior OSD staff including Headquarters FM senior staff and Senior Acquisition Executive staff. The respondents were asked if they found metrics helpful in better meeting OSD goals as well as the use of any process improvements.

Introduction


In the months preceding this research effort, Nancy Spruill, director, Acquisition Resources and Analysis, Office of the Under Secretary of Defense for Acquisition, Technology, and Logistics (OUSD [AT&L]) solicited support from the Defense Acquisition University (DAU) to help uncover the causal factors that could be interfering with the attainment of the Office of the Secretary of Defense's (OSD's) Obligation and Expenditure rate goals. To learn more about the intervening obstacles, DAU, along with assistance from the OSD, developed a comprehensive survey that queried experienced and high-level Department of Defense (DoD) personnel involved in a weapon program's decision chain. What we learned from the subsequent analysis confirmed several previous suspicions. The data also indicated the prevalence of more underlining perception variances among many of the factors that could be undermining program execution itself.



Research Methodology

Two hundred and twenty-nine DoD personnel responded to this survey. The respondents were comprised of program office personnel (program managers, deputy program managers, budget and financial managers, and contracting officers), program executive officers and their chief financial officers (CFOs), and a variety of senior staff at the OSD including Headquarter Financial Management (FM) senior staff and Senior Acquisition Executive (SAE) staff (Table 1). Because several functional areas saw lower response rates, a more detailed analysis of the causal factors was restricted to an aggregate sample size given the confidence levels required to draw any inferences or conclusions.

Table 1. Respondent Demographics

	SURVEY RESPONDENT DETAILS								
	ACAT LEVELS			Respondent Groups			TOTALS		
Respondent Distribution ¹	I	II	III	Program Office ²	PEO ³	Senior Staff ⁴	Responses	Queried	Response Rate
Total	91	28	23	142	63	24	229	698	33%

¹ Includes sampling from all Components and several DoD agencies
² Program Managers, Deputy Program Managers, Budget and Financial Managers (BFM), Deputy BFMs, and Contracting Officers
³ Program Executive Officers (PEOs), Deputy PEOs and their Chief Financial Officers
⁴ Headquarter Financial Managers and Senior Acquisition Executive Staff

Respondents ranked the impact of 64 factors under nine categories (Figure 1). The researchers then assessed the rankings using a top box (TB) three methodology (i.e., the percentage of 5, 6, and 7 responses on a Likert-like scale from 1–7). Since the frequency of occurrence for some factors could also be contributing to the interference, the researchers included an additional selection (e.g., daily, weekly, monthly, etc.) to isolate any potential ignition areas.

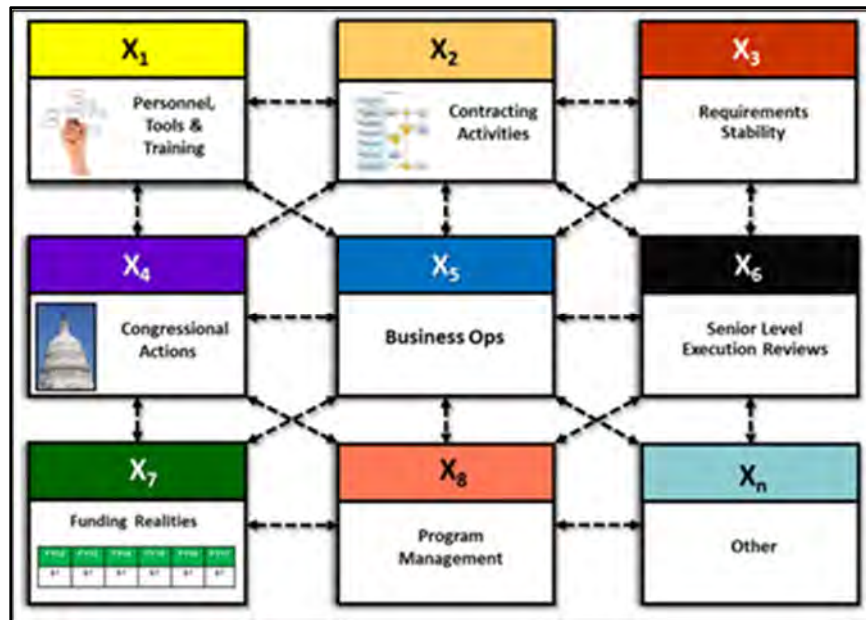


Figure 1. Factor Categories

Discussion

Factor Distribution

Figure 2 shows the distribution of all 64 factors assessed. Three factors reported an impact rating of two standard deviations above the mean (denoted by $+2\sigma$); six factors reported an impact rating of one standard deviation above the mean (denoted by $+1\sigma$); and 22 factors rose above an average impact rating (denoted by \bar{x}). The remaining 33 factors fell below the aggregate \bar{x} .

Nineteen of the 22 factors measured for frequency of occurrence resulted in an impact rating above 39%. Sometimes, just one occurrence appeared to have a significant impact.

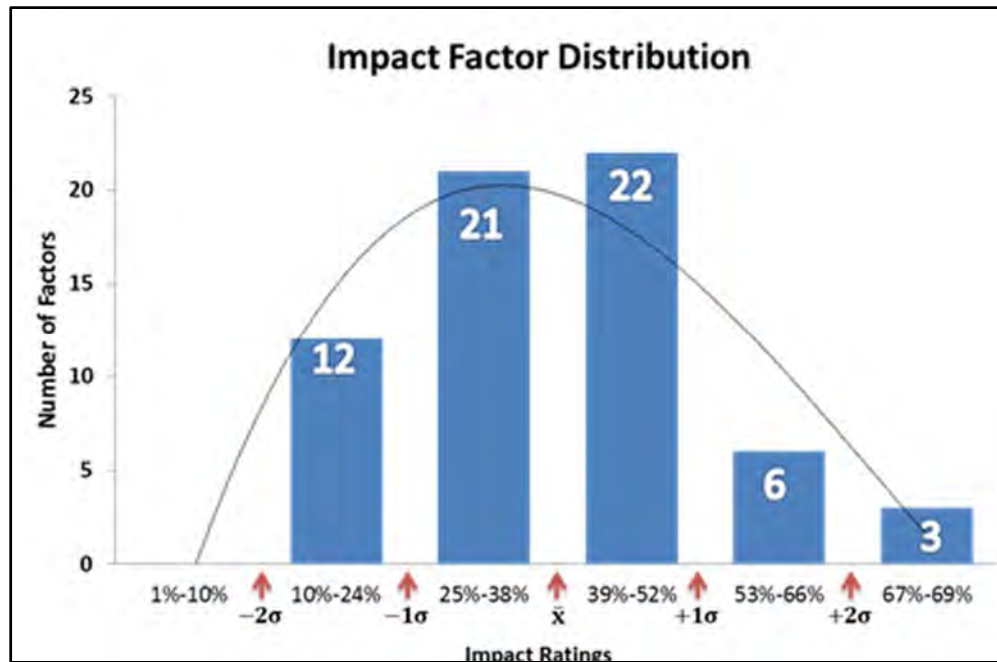


Figure 2. Factor Ranking Distribution

The Causal Factors Rank Ordered

Table 2 lists the relative ranking of all 64 factors in the context of top box descending order to provide a comprehensive view of all factors, although the remaining discussion in this paper addresses the factors above \bar{x} . Unrealistic Spend Plans (F^{10}), also one of the factors assessed, is generally valued as a written forecast of a program's funding needs and establishes Obligation and Expenditure projections. However, spend plans are subjected to so many real world eventualities that updating them becomes problematic in sustaining its forecasting value.

Table 2. Impact Factor Ratings in Aggregate Descending Order

Factors Rated by Adverse Impact	TB	\bar{x}	σ	
F1 Late release of full obligation/budget authority due to Continuing Resolution Authority	69%	5.29	2.41	
F2 Contract negotiations delays	67%	5.06	2.59	
F3 Contract award delays	67%	5.00	2.56	
F4 Shortage of Contracting Officers	64%	4.79	2.58	$+2\sigma = 67\%$
F5 Congressional mark	61%	4.87	2.65	
F6 Contractor proposal prep delays	60%	4.87	2.59	
F7 OSD directed RMD adjustment	58%	4.50	2.63	
F8 RFP prep delays	57%	4.63	2.46	
F9 Source selection delays	55%	4.44	2.53	$+1\sigma = 53\%$
F10 Unrealistic/overly optimistic spend plans	52%	4.30	2.44	
F11 Changes in user requirements	51%	4.16	2.43	
F12 Changes to program acquisition strategy	51%	4.41	2.52	
F13 Changes in other stakeholder requirements	50%	4.32	2.34	
F14 Preparing DAE level review and decision	50%	4.15	2.18	
F15 Lack of decision authority at expected levels	50%	4.22	2.52	
F16 Implementation of new OSD/Service policy	49%	4.20	2.59	
F17 Component directed POM adjustment	49%	4.26	2.51	
F18 Awaiting reprogramming action	49%	4.23	2.44	
F19 Changes in user priorities	47%	4.00	2.38	
F20 Realistic spend plans but risks materialized	45%	4.00	2.21	
F21 Program delays from additional development, testing or other prerequisite events	44%	4.09	2.35	
F22 DCAA administrative actions	44%	3.92	2.61	
F23 Unplanned Congressional adds to PB request	43%	3.90	2.41	
F24 Use of undefinitized contract action delays	42%	3.73	2.56	
F25 Expenditure contingent on hardware delivery	41%	3.92	2.41	
F26 Loss of funding through reprogramming action to higher priority requirements to PEO portfolio	41%	3.89	2.46	
F27 Lack of Experience levels in key acquisition functional areas	40%	3.90	2.30	
F28 Awaiting DAE level review and decision	40%	3.50	2.42	
F29 Shortage of Cost Estimators	40%	3.67	2.37	
F30 Shortage of Business/finance personnel	39%	3.73	2.30	
F31 Programmatic conflicts between govt and prime contractor	39%	3.66	2.32	$\bar{x} = 39\%$
F32 Preparing SAE/CAE level review and decision	38%	3.74	2.02	
F33 Delays in contractor payment due to late invoices	37%	3.67	2.35	
F34 Unobligated prior year funding not adequately factored	36%	3.57	2.23	
F35 Component Comptroller Withhold	35%	3.58	2.34	
F36 DCMA administrative actions	35%	3.42	2.36	
F37 Redirection of contractor efforts	35%	3.47	2.23	
F38 OSD Comptroller Withhold	34%	3.43	2.37	
F39 Shortage of Tech/Eng/Test personnel	34%	3.51	2.17	
F40 Shortage of Auditors	33%	3.17	2.43	
F41 Slower burn rate than expected due to unfavorable SPI	33%	3.25	2.14	
F42 Awaiting SAE/CAE level review and decision	32%	3.33	2.30	
F43 SAE/CAE/Component directed reprogramming	32%	3.27	2.30	
F44 Recission	32%	3.16	2.46	
F45 Changes in systems specs	31%	3.30	2.03	
F46 Tenure of PM and others in key positions	31%	3.11	2.18	
F47 Holding award/incentive fees in commitment for future obligation	29%	3.23	2.35	
F48 Inadequate training	29%	3.29	2.13	
F49 Shortage of Managers	28%	3.10	2.17	
F50 Insufficiently planned OCO funding	27%	3.07	2.27	
F51 Shortage of Staff	26%	2.99	2.12	
F52 Contractor rework	26%	3.00	2.14	
F53 Deferred payments for scheduling, earning fees, progress payments/performance based payments	25%	3.08	2.20	$-1\sigma = 25\%$
F54 Effect of contract type on outlay rates	24%	2.99	2.17	
F55 Materiel/Systems Command Comptroller Withhold	24%	2.71	2.17	
F56 Awaiting PEO level review and decision	24%	2.80	2.01	
F57 Termination Liability	22%	2.72	2.17	
F58 Insufficient workplace tools/apps	22%	2.82	2.01	
F59 PEO directed programming	21%	2.83	2.10	
F60 Slower burn rate than expected due to favorable CPI	21%	2.77	1.95	
F61 PEO Withhold	20%	2.39	1.99	
F62 Preparing PEO level review and decision	20%	2.66	1.53	
F63 Production line issues	19%	2.82	2.08	
F64 Labor disputes	10%	1.89	1.64	



Factors and Respondent Groups

Figure 3 accounts for the 31 factors above the mean and by respondent group seen in Table 1. The 31 factors were the only ones further evaluated in this study unless a factor shifted above \bar{x} after any further delineation (e.g., ACAT levels, military components, position, etc.). Unexpectedly, the individual factors showed widespread perception disparities among the respondent groups for the factors that fell below $+2\sigma$. After analyzing the specific individual factors among all the respondent groups, seven of the 31 factors had an unusually large σ . As a result of these conspicuous gaps, we turned to the qualitative data. We also watched for any strong correlations (e.g., correlation coefficients (r) > 0.7) to better understand the reasons for the differences, as well as the influence of any intervening and/or moderating factor couplings. The remaining discussion addresses the 31 impact factors in descending order from highest to lowest.

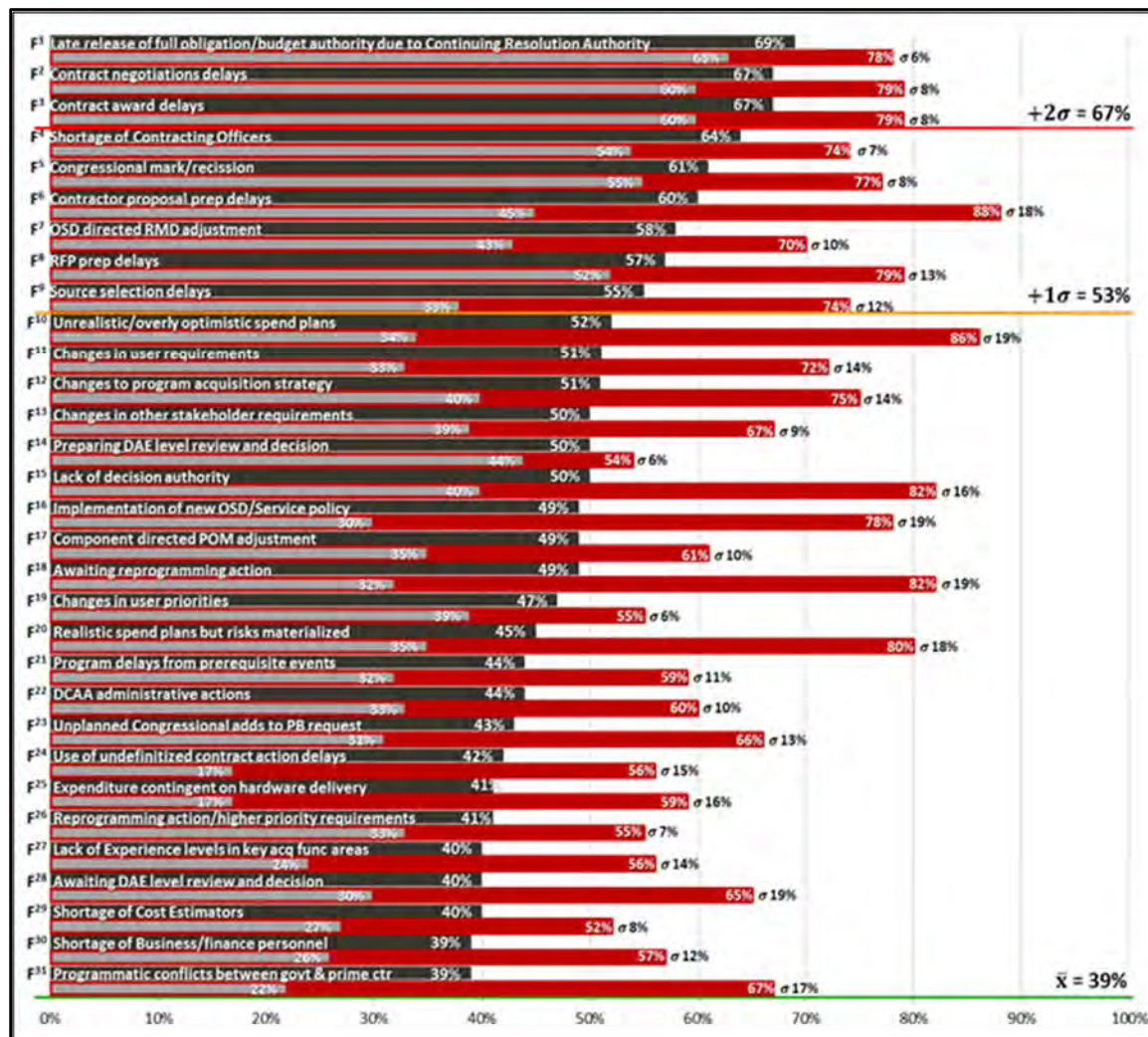


Figure 3. Impact Factor Ratings Above \bar{x} in Aggregate Descending Order With Respondent Group Low and High Ratings

The Factors That Ranked Above $+2\sigma$

In Figure 3, late release of full obligation/budget authority due to Continuing Resolution Authority (F¹), Contract Negotiations Delays (F²), and Contract Award Delays

(F³) all rose above 2σ , where 67% or more of the respondents claimed they had the highest adverse impact of all factors measured. The occurrence of CRA had the most significant negative impact to Obligation and Expenditure rates. It also had one of the smallest variances (σ) among the respondent groups. Even with the expectation that CRA might prevail and the subsequent planning that followed for such a likely event, many PMs pointed to an overly conservative and slow internal vetting process posture that created additional obstacles in meeting OSD goals. Several PMs recommended the use of some sort of “CRA variable” to temporarily offset the consequences of CRA if the required funds were not released as originally projected. Next in rank order were contract negotiations and contract award delays. The respondents emphasized that the DoD could fix the problem more readily since unlike CRA, these factors were under internal control. When asked what could be done to reduce the adverse effects of all three factors, the respondents recommended the “inclusion of more risk mitigation into contract award planning, more realistic timelines, more realistic plans, greater funding stability, reduction in bureaucratic obstacles, more synchronized internal processes, and better aligned accounting systems.”

The Factors That Ranked Above +1 σ

This next line of demarcation (Figure 3, factors F⁴–F⁹) included many contracting-related factors (i.e., Shortage of Contracting Officers [F⁴], Contractor Proposal Prep Delays [F⁶], RFP Prep Delays [F⁸], and Source Selection [F⁹]). Nearly all the factors showed the emergence of a more alarming σ between the individual respondent groups—as high as 18% in one case (i.e., Proposal Prep Delays [F⁶]). For this particular factor, PCOs reported the highest impact while PMs ranked it as the lowest. Senior staff cited that Shortage of Contracting Officers (F⁴) created the highest impact, while PCOs reported it had the lowest impact. With a 7% σ , it was the lowest among all six factors in this grouping.

Given that six of the top nine factors were contract-specific factors that ranked above +1 σ (see Figure 3), it came as little surprise to see so many reinforcing comments surface:

- “Lack of experienced and qualified contract specialists”
- “Alarming low personnel qualified ... many unsure/lack guidance and experience”
- “Significantly stressed with overtime to complete all contracting actions prior to close of fiscal year”
- “Inadequate training ... inordinate number of interns with very low experience in all career fields”
- “Lack of sufficient legal personnel trained in acquisition”
- “Loss in brain trust and skill to develop complete, clear SOWs using proactive contract language”
- “SOW writing and the teaching of SOW-writing classes is greatly left to contractors or support contractors resulting in unclear language”

The highest frequency of occurrence was also associated with contracting-related factors (Figure 3). By far, the aggregate respondents rated Shortage of Contracting Officers (F⁴) as the single highest factor among all 22 factors measured for frequency. Because the contracting activity timeline generally has lengthy durations, any disruption appears to have an unmistakable impact on contract award. Shortage of Contracting Officers (F⁴) was seen as having the most significant impact. Several respondents said that “multiple contracting actions were having compounding consequences.”



The two remaining factors above $+1\sigma$, Congressional Marks (F^5) and OSD Directed RMD Adjustment (F^7), had very low frequency of occurrences but still reported a very high impact, similar to CRA. When combining these with F^4 , all three appear to be a strong antecedent force (or moderating factor) to the already time-consuming chain of contracting actions.

The Factors That Ranked Above \bar{x}

This final grouping (Figure 3, factors F^{10} – F^{31}) accounted for the remaining 22 impact factors. Perception polarities persisted especially between two respondent groups—senior staff outside the program office and PMs inside program offices. For PMs in every case except one (i.e., Component Directed POM Adjustment [F^{17}]), the impact factors ranked well below \bar{x} . In sharp contrast, senior staff in every case except one (i.e., Component Directed POM Adjustment [F^{17}]) stated the majority of top 31 factors had the largest impact or close to it among all respondent groups.

Even though the remaining impact factors above \bar{x} are still significant, the researchers shifted the focus to the presence of any strong correlations since factor couplings could be having a moderating effect and require a closer look.

The Factors That Correlate

Table 3 summarizes the strongest and weakest factor correlations for all respondents queried. Several strong correlations surfaced for factors above \bar{x} . User Requirements (F^{11}) and User Priorities (F^{19}) were very strongly correlated. In three specific instances, two factors above \bar{x} were very strongly correlated with three factors that fell below \bar{x} : Key Acquisition Experience (F^{27}) and Inadequate Training (F^{48}); Key Acquisition Experience (F^{27}) and Tenure of PM and other Key Positions (F^{46}); and DCMA Administration Actions (F^{36}) and DCAA Administration Actions (F^{22}). Three contract-related factors (F^4 , F^8 , and F^9) showed weaker correlations than unexpected. Because a factor had a weak correlation does not mean it had any less importance, but any course of action intended to mitigate the presence of any impact factor strongly correlated with another should be weighed more heavily in any recommended action. For example, the turnover of PMs could be part of the experience quotient.

Table 3. Factor Correlation Couplings

r	r^2	STRONGEST CORRELATION COEFFICIENTS	WEAKEST CORRELATION
.84 .78	71% 61%	Experience and Training and Tenure: F^{27} Key Acquisition Experience Levels & F^{48} Inadequate Training F^{27} Key Acquisition Experience Levels & F^{46} Tenure of PM & Other Key Positions	F^1 Late release of full obligation/budget authority due to CRA F^4 Shortage of Contracting Officers F^5 Congressional mark/Recission F^7 OSD Directed RMD Adjustment F^8 RFP prep delays
.81	76%	Administrative Actions: F^{36} DCMA & F^{22} DCAA	F^{10} Unrealistic/overly optimistic spend plans F^{12} Changes to program acquisition strategy F^{15} Lack of decision authority F^{16} Implementation of new OSD/Service policy F^{17} Component Directed POM Adjustment F^{18} Awaiting reprogramming action
.82 .70	67% 49%	Changes in Program Content: F^{11} User Requirements & F^{19} User Priorities F^{19} User Priorities & F^{12} Stakeholder requirements	F^{20} Realistic spend plans but risks materialized F^{21} Program delays from prerequisite events F^{23} Unplanned Congressional adds to PB request F^{24} Expenditure contingent on hardware delivery F^{25} Funding Loss: reprogramming action to higher priority requirements to PEO portfolio F^{26} Shortage of Cost Estimators F^{30} Shortage of Business/finance personnel F^{31} Programmatic conflicts between government and prime contractor
.71 .70	50% 49%	Contract-related Activities F^8 Contractor Proposal Delay & F^9 Contract Negotiations Delays F^9 Contract Award Delays & F^4 Contract Negotiations Delays	
<p>* The higher the % the stronger the direction and strength of the linear relationship between the variables</p> <p>Factors # 1–3 $\geq +20$; Factors # 4–9 $\geq +10$ Factors # 10–31 $\geq \bar{x}$</p>			



Factor Plotting

The researchers generated a scatter plot diagram (Figure 4) that punctuated how the 31 factors fluctuated between impact and frequency of occurrence. In some cases, the impact of certain factors occurred with low frequencies of occurrence. In other cases, the frequency of occurrence compounded the impacts.

The research data was rebased to a Likert-like scale for plotting the frequency and adverse impact response averages. The researchers included Factors F²⁹–F³¹ in Figure 4 because they only fall slightly below \bar{x} .

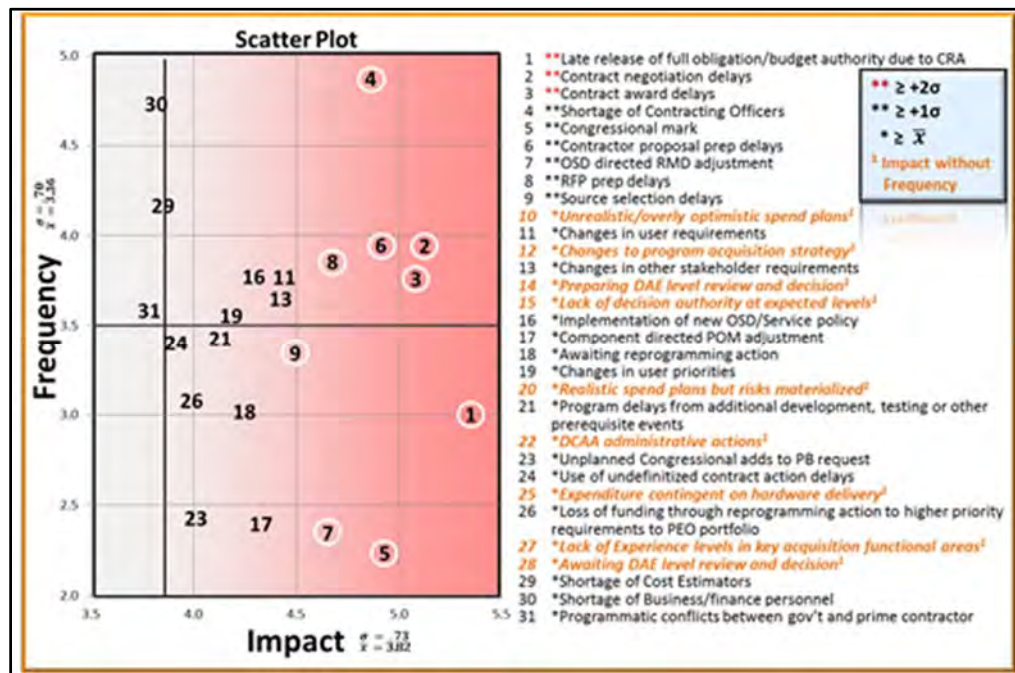


Figure 4. Scatter Plot of Impact Factors With Frequency

For the relationships that were co-linear (e.g., the most strongly correlated depicted in Table 3), the researchers explored whether they also behaved as strong predictors across the sample population. After investigating *t*-ratios (used with ACAT level factors) and beta-weights (used for the sample population), we determined that the relationships were not significantly co-linear enough to substantiate causation. Consequently, there was no merit in running any further regression that analyzed the factors as predictors. However, the researchers conducted another set of tests by modulating certain respondent demographics and holding \bar{x} constant.

Factor Plotting—Modulating ACAT Levels

Figure 5 shows how the factor rankings changed after isolating ACAT levels.

ACAT I

Funding and requirements factors (F¹⁸, F¹⁹, F²³, and F²⁶) previously ranked above \bar{x} dropped below \bar{x} , while Contractor Proposal Delays (F⁶) rose markedly to become the highest impact factor. Component Directed POM Adjustment (F¹⁷) made a noticeable shift to the top nine factors (or one standard deviation above the mean).

ACAT II

Fifteen of the factors previously ranked above \bar{x} dropped below \bar{x} (leaving only **F¹**, **F²**, **F³**, and **F¹⁷**). Four of the factors that fell below \bar{x} included contracting-related factors (**F⁴**, **F⁶**, **F⁸**, and **F⁹**).

ACAT III

Six of the factors (**F¹⁶**, **F¹⁸**, **F¹⁹**, **F²¹**, **F²³**, and **F²⁴**) previously ranked above \bar{x} dropped below \bar{x} . Shortages of Personnel (**F²⁹**, **F³⁰**, **F³⁹**, and **F⁵¹**) and Redirection of Contractor Efforts (**F³⁷**) became more dominating issues for the respondents. Changes in User Priorities (**F¹⁹**), Changes in Stakeholder Requirements (**F¹³**), and Funding Loss from Reprogramming Actions due to Higher Priority Requirements (**F²⁶**) all moved significantly above \bar{x} .

This more detailed differentiation, as found in the scatter plots, gives additional insight into ACAT-specific areas through a more granular view of the factors that would benefit from a more focused investigation. In some cases, reducing frequency of occurrence or perhaps instituting more early warning metrics could have a marked effect in reducing any adverse impacts.

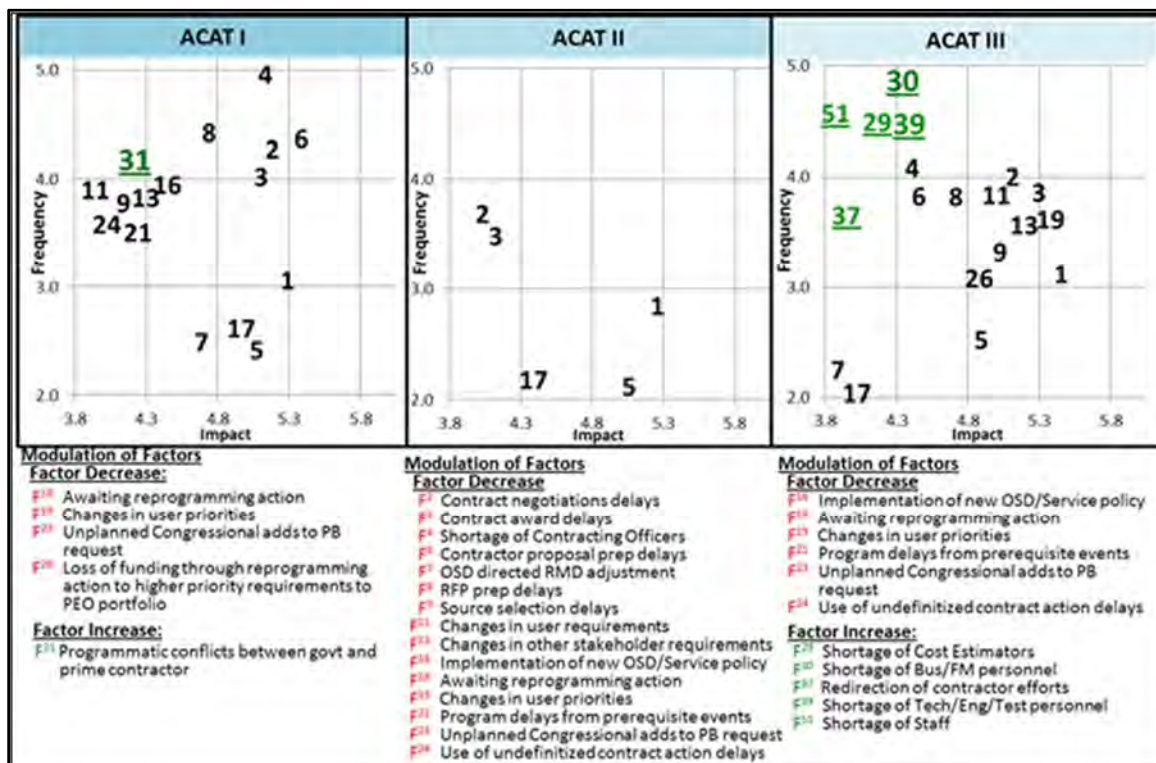


Figure 5. Factor Ratings $\geq \bar{x}$ by ACAT Level

Factor Plotting—Modulating Respondent Groups

Figure 6 shows how the factor rankings changed after isolating the Respondent Groups.

Program Office

Six factors dropped below \bar{x} : Awaiting Reprogramming Action (**F¹⁸**), Changes in User Priorities (**F¹⁹**), Program Delays from Prerequisite Events (**F²¹**), Unplanned Congressional adds to PB Request (**F²³**), Use of Undefinitized Contract Action Delays (**F²⁴**), and Loss of



Funding through Reprogramming Action to higher priority Requirements to PEO Portfolio (F^{26}). No factors fell below \bar{x} .

PEO

Use of Undefined Contract Action Delays (F^{24}) fell below \bar{x} while four factors rose above \bar{x} : Shortage of Cost Estimators (F^{29}), Shortage of Business and Finance Management Personnel (F^{30}), Component Comptroller withhold (F^{35}), and Insufficiently Planned OCO Funding (F^{50}).

Senior OSD Staff

Awaiting Reprogramming Action (F^{18}) fell below \bar{x} while 13 factors rose above \bar{x} .

For PEO and senior OSD staff, personnel shortages (F^{29} , F^{30} , F^{20} , F^{40}) became more dominant, while awaiting reprogramming action (F^{18}) became less dominant for program office and senior OSD staff personnel. Of the three grouping in this particular case, nowhere were there more factor increases than for senior OSD staff personnel. The rise in factors F^{34} , F^{43} , and F^{59} seemed intuitive since senior staff may see first-hand the longer time it takes for programs to react to changes in their plans. However, it was very interesting to see what senior OSD staff personnel felt represented the major impediments to meeting the OSD's Obligation and Expenditures rate goals that program office personnel did not, especially shortage of personnel and contract-specific factors like F^{45} and F^{37} . This wide perception disparity deserves a more intensive understanding since it could be creating false perceptions that could lead to misrepresented positions and even unsubstantiated decisions.

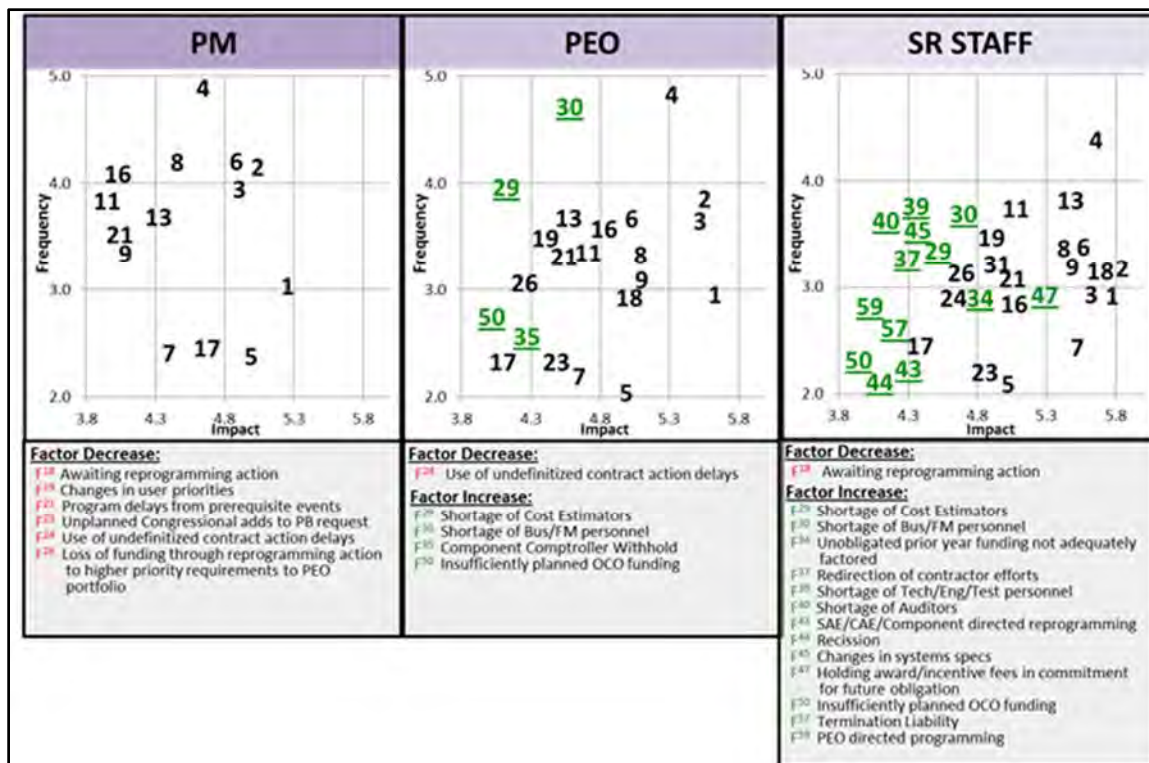


Figure 6. Factor Ratings $\geq \bar{x}$ by Grouped Respondent Position

Respondent Comments Regarding the Factors

The respondents were also asked several open-ended questions about the use of metrics they found that helped them better meet OSD goals, as well as any process improvements they would recommend. They stated that the metrics that made a difference for them included “real-time monitoring, frequent reviews, tight coupling to contractor actions and milestones, and realistic spend plans with inch stones.” As for necessary improvements to current processes, the respondents recommended the inclusion of a CRA duration variable that readjusted expectations, establish more realistic program goals, ensure more funding stability, reduce bureaucratic obstacles and streamline more outdated processes, forge greater cooperation between government and industry, and synchronize disparate accounting systems used in obligation/expenditure reporting.

The respondents provided a number of qualitative comments that reinforced the quantitative data, especially for the factors above $\geq \bar{x}$ that were causing obligation rate interference:







X₁  Personnel, Tools & Training	<i>“Takes too long to get Acquisition Strategies and Acquisition Plans written and approved”</i> <i>“Personnel do not have experience with the subject matter”</i>
X₂  Contracting Activities	<i>“Inadequate proposals, protracted negotiations, lengthy audits, and lengthy pre-award processes”</i>
X₃  Requirements Stability	<i>“Had to defer/re-prioritize requirements execution and carry forward funding to cover cutbacks/shortfall.”</i> <i>“Changes in requirements precipitated by other stakeholders’ actions and ill-defined requirements”</i> <i>“User leadership routinely changes requirement & priorities”</i>
X₅  Business Ops	<i>“MIPR billing process can delay expenditures from 90 to 120 days.”</i> <i>“Delays in negotiating best deal for gov’t and sometimes delays in getting acceptable proposals”</i>
X₆  Senior Level Execution Reviews	<i>“Extensive reviews, too long to get decision briefs through oversight layers—not always value added”</i> <i>“Multiple instances where milestone documentation took upwards of 9 months to a year to get approved”</i>
X₇  Funding Realities	<i>“...the problem isn’t unrealistic or overly optimistic spend plans as much as it’s not knowing when funds will be appropriated and how much will be apportioned by the executing organization.”</i>

Figure 7. Sampling of Respondent Comments

Comparison With a Similar Study

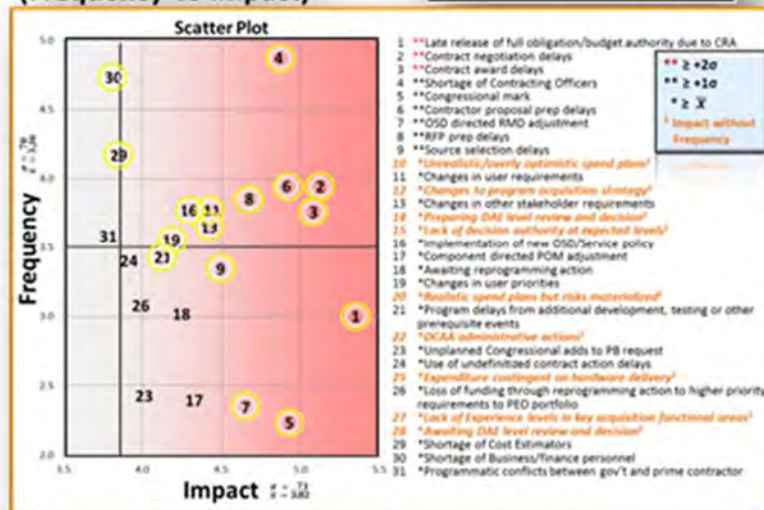
After this study was completed, the OUSD(AT&L), ODCAPE, and OSD(C) sponsored a related effort with the Institute for Defense Analyses (IDA) entitled *Implications of DoD Funds Execution Policy for Acquisition Program Management* (Conley et al., 2014). IDA was asked to increase the current understanding of the extent and causes of under-execution and suggest changes to improve outcomes. They took a two-fold approach: (1) Examine trends in the ability of the DoD to execute appropriated funds, and (2) conduct an in-depth investigation into the causes of funds under-execution for selected programs and the effects on those programs of associated financial management practices. After drawing insights from an in-depth investigation of 25 individual programs during face-to-face interviews, they categorized their causal factors along five areas:

- Contracting issues (i.e., personnel shortages and inexperience, award protests, peer reviews of contracting process documentation, and negotiation delays)
- Congressional actions (i.e., additions and reductions to requested funding, continuing Resolutions [CRs], and sequestration)
- Management actions and program events (i.e., changes to requirements, contract type, schedule, responses to operational needs, technical and testing problems, and slow contractor billing)
- Policy choices (i.e., use of execution benchmarks and withholding funding by services under CRs)
- Program office personnel shortages and experience levels

Figure 8 shows how the study results are very similar, although IDA did not measure “frequency.”



Contributing Factors (Frequency Vs Impact)



- Contracting issues F^9**
 - Personnel shortages and inexperience F^4
 - Award protests $F^{3,9}$
 - Peer reviews of contracting process documentation $F^{8,9,21}$
 - Negotiation delays F^2
- Congressional actions**
 - Additions and reductions to requested funding F^2
 - Continuing resolutions (CRs) F^2
 - Sequestration
- Management actions and program events**
 - Changes to requirements, contract type, schedule, responses to operational needs, technical and testing problems, and slow contractor billing $F^{6,12,13,19}$
 - Policy choices F^{16}
 - Use of execution benchmarks $F^{23,20}$
 - Withholding funding by Services under CRs F^2
- Program office personnel shortages and experience levels $F^{6,27,48}$**

Figure 8. Comparison of DAU and IDA Studies

Recommendations

What next? Based on the research findings of this study, there are a number of impact factors above \bar{x} that if sufficiently addressed could help lower the barriers to the attainment of the OSD's Obligation and Expenditure rate goals. Hence, we offer the following recommendations:

- Institute an Obligation and Expenditure baseline adjustment for programs affected by any funding delay or limitation (especially CRA), then measure a program's progress to that revised adjustment.
- More thoroughly review the entire contracting action value chain. Look closely at efficiency opportunities along the review and decision cycle continuum, especially from the time an RFP is developed to the time a contract is let. Set reasonable time thresholds with triggers that afford more proactive measures by PMs and confirm productivity.
- Establish a recurring communication forum among key stakeholders, especially PMs and the OSD, to dialogue more frequently and eliminate perception gaps that could be creating counterproductive actions and misconceptions.
- Track requirement changes throughout a program's life and look more strategically at the effects on program execution and accompanying Acquisition Program Baselines (APBs). Despite ACAT levels, there is an obvious ripple effect that is associated with any substantive change in program content across a program's life that should be codified more comprehensively. However, there are also issues associated with different ACAT levels which must be noted.
- Review the program review cycle and streamline wherever possible. Checks and balances within the DoD's acquisition community are a vital constituent component of program execution, but every review should have a distinctive purpose, exit criteria, and associated suspense date that is just as material and credible.
- Build and maintain realistic spend plans, measure against them, account for contingencies, and make adjustments with required frequency due to real world realities. Collaborate with senior leadership early enough about required adjustments to avoid more draconian measures later.
- Validate the key personnel shortage areas and recognize the time it takes to rebuild those experience levels.
- Nurture experience in key functional areas with strong catalysts such as disciplined on-the-job training (OJT) programs, mentoring, and guidance. With the recent surge of contracting specialist interns, their progress as a group should be measured more carefully.
- Evaluate the real effects of reprogramming action or realignment of future budget decisions before any corrective action is taken.
- Conduct a wholesale review of the program execution metrics currently in place and determine their usefulness and effectiveness. What are they actually measuring? Consolidate whenever practical and eliminate the ones that have outlived their usefulness.



- Encourage innovation and avoid the “bookkeeping process,” as RAND Corporation (2009) found in a recent study could be limiting improvements championed by PMs.

Summary

This research exposed a number of challenges that could easily be mitigated by more frequent communication and especially a better appreciation of stakeholder management. There are so many stakeholders involved in the acquisition process. No stakeholder should be dismissed without a more intensive assessment of their (potential) contribution. Sometimes, either their voice is not heard or their concern not appropriately considered. Next, having a program management strategy that can help leaders react to funding reductions is also critical. A wide variety of financial tools exist that track and predict funds execution, but Spend Plans that serve as the common device to convey program execution have to be current and agile enough to demonstrate reality and common sense for whatever curve balls come their way. Finally, as baby boomers start to retire at a more aggressive rate, experience will matter even more. An OJT program that nurtures experience and leadership development as well as demands critical thinking is just what the acquisition community should expect.

References

Conley, K. M., Dominy, J. R., Kneece, R. R., Jr., Mandelbaum, J., & Whitehead, S. K. (2014, August). *Implications of DOD funds execution policy for acquisition program management* (IDA Paper P-5164). Alexandria, VA: Institute for Defense Analyses.





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